State Government of Maharashtra or any other State Government gives before us, we will try to support it.

Creation of a Separate Body to Fund Small Scale Sector

*123. SHRI A. G. KULKARNI:†
DR. BAPU KALDATE:

Will the Minister of FINANCE be pleased to state :

(a) whether there is any proposal under Government's consideration to create a separate body to fund small-scale sector; if so, what is the nature of the proposal;

(b) whether Government are aware that the small-scale sector, particularly powerloom industry and other small engineering industries are starved of short-term, medium-term and long-term finances on easy terms; and

(c) whether their problems are likely to be solved with the creation of a separate body to fund the small-scale sector?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a) to (c) A statement is laid on the Table of the House.

Statement

Government have decided to establish a Small Industries Development Bank of India (SIDBI) to cater to the financial needs of small scale and tiny industries. Modalities in this behalf are being worked out.

Presently, long term and medium term requirements of small scale industries, including powerloom and small engineering industries, are being met by Industrial Development Bank of India (IDBI) through primary lending institutions under its schemes for re-finance, while their need-based working capital requirements are met by the commercial banks.

†The question was actually asked on the floor of the House by Shri A. G. Kulkarni.

SHRI A. G. KULKARNI: Sir, at the outset, I have to congratulate the Government for considering establishment of what you call the Small Industries Development Bank of India.

MR. CHAIRMAN: The SIDBI.

SHRI A. G. KULKARNI: It should be analogous with the NABARD which has been created for agricultural co-operatives. Similarly, the small scale industries deserve a separate financing agency because their developmental problems can be met only through a special agency and not through the general banking structure. Sir, in this connection, I want to know from the hon. Minister this. I would request him that the Small Industries Development Bank should be managed and handled by a team of people because our experience with the NABARD is not very happy. They were all recruited from the Reserve Bank of India which has got a bureaucratic approach. So, the developmental aspect of small industries particularly requires a different type of approach. I would like to know whether the Government will think on those lines. Secondly, Sir, want to know.. ....

MR. CHAIRMAN: You put it in your second supplementary.

SHRI A. G. KULKARNI: I will be putting second supplementary also.

MR. CHAIRMAN: No, I am sorry.

SHRI A. G. KULKARNI: Sir, you have been listening to many Members putting their question in parts (a), (b), (c) and (d), I never put in parts (a), (b), (c), (d), (e).

MR. CHAIRMAN: You have already put (a), (b), (c).

SHRI A. G. KULKARNI: The point is that it requires a special type of handling and for it a special type of recruitment should be done. In this connection I would like to say that the small industries are suffering in the present refinancing arrangements because of the rate of interest charged by the usual nationalised

banks. The usual nationalised banks may provide working capital or the State Financing Corporations...

MR. CHAIRMAN: Please put your question.

SHRI A. G. KULKARNI: I am putting that, Sir. I am only addressing through you. I am not...

MR. CHAIRMAN: This is question time. You put the second part of your first supplementary.

SHRI A. G. KULKARNI: If you had not intervened, I would have finished by this time. My point is whether the Minister will consider that the rates of interest to be charged from the small scale sector should have a bearing on the viability and profitability of the small-scale industries.

SHRI EDUARDO FALEIRO: The suggetion of the hon. Member that the development-oriented people should be there at the helm of the SIDBI is a good suggestion. His suggestion has been very well taken and we appreciate that SIDBI the Small Industries Development Bank, has emphasis on development. I will keep his suggestion in mind and work accordingly.

As far as the question of rate of interest is concerned, all I can say is that the rate of interest must take into account the cost of the funds. On the point that small-scale industries have not been very profitable and the interest rates are decreasing their profitability, I would just like to quote some figures to say that the number of small-scale units has increased from 13.53 lakhs in 1985-86 to 15.92 lakhs in 1987-88, showing an increase of about 18 per cent. Now, what I would like to say is that the cause of unviability is not necessarily because of the rate of interest. There are many other causes that make industries viable or unviable. Therefore, on the question of reducing the rates of interest, I cannot react at the moment, because the rates of interest are fixed by the Reserve Bank of India taking into account the cost of the funds disbursed.

SHRI A. G. KULKARNI: I thank the hon. Minister for at least positively reacting to the suggestions, including the suggestion on rates of interest Basically—his predecessor also had replied on this—another kind of difficulty with the banking institutions is that the small industries work as ancillary for the big industries and the payment of the bills preferred for ancillary work is delayed right from one month to one year. The Prime Minister and the Finance Minister in the previous session had said that there will be monitoring. If the bills of the small-scale industries are withheld and paid in a delayed manner, the big industries which are taking work from small industries, their finance will be proportionately reduced, because the small industry is facing the burden of the interest. I would like to know whether the Government has thought over it and whether there will be any monitoring arrangement for this purpose.

SHRI EDUARDO FALEIRO: We are looking into this problem that has been arising for some time. I would like to say it is basically a question between the mother industry and the ancillary. If the ancillary does not get paid and if they charge on that account, the mother industry says, well, you do not supply the goods to us. We will take it from somewhere else. It is a question of a contract basically between the mother industry and the ancillary. However, the problem is just not of a contract. In our view, it is a problem to which the Government must pay some attention and find ways and means. We are in the process of thinking and finalising schemes that would come to the help of small industries, ancillaries and the larger industries. We will look into this matter within the constraints to which the Government is subjected.

कुमारी सईदा खातून : सभापति महोदया, मैं मंत्री जी से यह जानना चाहती हूं कि भारतीय औद्योगिक विकास बैंक द्वारा उद्योगों को सब्सिडी दी जाती थी तो बाद में उन उद्योगों की सब्सिडी बंद कर दी गई । यह बड़े अफसोस की बात है। मेरा मंत्री जी से अनुरोध है कि जिन उद्योगों को सब्सिडी इश्यू कर दी गई थी कम से कम उनको पुरानी सब्सिडी मिल जानी चाहिये। क्योंकि आपने पहले इस तरह के कानून बना रखा था। ठीक है बाद में जो उद्योग खोले जाएं उनको सब्सिडी ना दीजिए लेकिन पुराने उद्योगों को जिनका उसका कुछ पर्सेंटेज मिल भी गया है उनको वह दी जानी चाहिए । बाद मे जब इस तरह से होता है और आप नया कानून लागू करते हैं तो उनको फैक्ट्री लगाने में, उद्योग लगाने में प्राबलम खड़ी हो जाती है ।

श्री सभापति : यह सवाल सब्सिडी के बारे में नहीं है।

कुमारी सईदा खातून : मैं जानना चाहती हूं कि उनकी सब्सिडी क्यों बंद की गई है और क्या इनको फिर से चालू करने का कोई प्रावधान किया जायेगा?

†[کماری سعیدہ خاتون سبھاپتی

مہودے - میں منتری جی سے یہ جاننا چاہتی ہوں کہ بھارتیہ اودھیوگک وکاس بینک دوارا اودھیوگوں کو سبسڈی دی جاتی تھی - تو بعد میں ان اودھیوگوں کی سبسڈی بند کر دی گئی - یہ بڑے افسوس کی بات ہے - میرا منتری جی سے انورودھ ہے کہ ان اودھیوگوں کی سبسڈی اشو کر دی گئی تھی - کم سے کم انکی پرانی سبسڈی مل جانی چاہئے - کیونکہ آپ نے پہلے اس طرح کا قانون بنا رکھا تھا - ٹھیک ہے بعد میں جو اودھیوگ کھولے جائیں - انکو سبسڈی نہ دی جائے - لیکن پرانے اودھیوگوں کو جن کو اسکا کچھ پرسینٹیج مل بھی گیا ہے انکو وہ دی جانی چاہئے - بعد میں جب اس طرح سے ہوتا ہے اور آپ نیا قانون لاگو کر دیتے تو انکو فیکٹری لگانے میں اڈھیوگ لگانے میں پرابلمس کھڑی ہو جاتی ہیں -

شری سبھاپتی: یہ سوال سبسڈی کے بارے میں نہیں ہے -

کماری سعیدہ خاتون : میں جاننا چاہتی ہوں کہ انکی سبسڈی کیوں بند کر دی گئی ہے اور کیا اسکو پھر سے چالو کرنے کا کوئی پراودھان کیا جائے گا -]

SHRI EDUARDO FALEIRO: Sir, perhaps, the hon. Member has in her mind subsidy which was given to set up industries in backawrd areas. As I have pointed out the matter is within the scope of Ministry of Industry and not with the Ministry of Finance.

SHRI G. SWAMINATHAN: Sir, the working capital requirements of small-scale industries are now being given on certain norms drafted by certain Committees. The main working capital that is now being given is on stock and bills by these various banks and they have got their own way of giving these amounts as advances for the working capital requirements of these industries. I am not very clear what exactly the Small Industries Development Bank is going to do with regard to the working capital requirements of the small-scale industries. May I know whether the norms are going to be relaxed by SIDBI. Already the nationalised banks have done it? I must say, to a large extent, the nationalised banks have been cooperating very well with the small-scale industries and have been advancing the requirements that are needed by these industries. Then, how the Small Industries Development Bank of India is going to help

†[ ] Translation in Arabic script.

the small-scale industries? May I know from the Minister whether they are going to relax the norms that have already been suggested by these Committees by giving more working funds? May I also know whether they are going to lessen the interest that is already charged by the banks? That is one thing I want to know from the Minister.

One more thing, Sir, about bills not being paid by the large industries to the small industries. The hon. Minister has said that it is something like a contract. But I may inform him that in countries like Japan where the small industries are not paid their bills by the large industries within 45 days they are being penalised. That kind of law is already in vogue in Japan. The point is, small industries are dependent on the large industries for their supply and these big industries use the funds of small-scale industries as their working capital. So unless some law is made that the amount must be paid within a short duration of time, the small industries will not be able to survive and they will not be able to do without the big industries because once they say that the payment terms have to be strict, large industries will not give them any order. They are are at their mercy. May I know from the Minister whether the Government would look into this matter and do something about it?

SHRI EDUARDO FALEIRO: Sir, at the moment, IDBI is looking into all types of industries. The advantage, the hon. Member wanted to know, in setting up of SIDBI is to concentrate on small-scale industries alone and that will be the focal point and we will involve representatives from other departments also. Therefore, it will give a fillip in our view and in our expectations, to the development and support to the small-scale industries. As far as the working capital delays are concerned, I would like to say that instructions have been issued by the Reserve Bank of India that the working capital should be sanctioned four months before the unit goes into production so that the unit does not suffer after it goes into production for lack of working capital. As far as the term-loan is concerned, within two or thre months from the date of furnishing the complete information, term-loan must be sanctioned. About the other observations made by the hon. Member, I will keep them in mind.

Textile tie up with Foreign Countries

*124. SHRI SURESH PACHOURI: Will the Minister of TEXTILES be pleased to state:

(a) whether he visited a number of countries with a high level delegation during December, 1988;

(b) if so, whether any textile tie-ups with any of those countries have materialised; and

(c) what are the details of the agreements reached in this regard?

THE MINISTER OF TEXTILES AND THE MINISTER OF HEALTH AND FAMILY WELFARE (SHRI RAM NIWAS MIRDHA): (a) to (c) A statement is laid on the Table of the House.

Statement

A high level delegation led by the Minister for Textiles visited Hongkong, Japan, Republic of Korea and Singapore from 27th November, 1988 to 8th December, 1988 to explore possibilities of joint ventures and technical and market collaborations between entrepreneurs in these countries and the Indian manufacturers. The delegation held meetings with a number of prominent manufacturers and trading houses besides associations of importers and chambers of commerce in the countries visited and found an